[The official language for TonenGeneral's filings with the Tokyo Stock Exchange and Japanese authorities, and for communications with our shareholders, is Japanese. We have posted English versions of some of this information on this web site. While these English versions have been prepared in good faith, TonenGeneral does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.]

Consolidated Financial Results for 2011
(Japan GAAP basis)

February 14, 2012

Company name: TonenGeneral Sekiyu K.K. Listed on: Tokyo Stock Exchange
Code number: 5012 URL: http://www.tonengeneral.co.jp
Representative: P. P. Ducom Representative Director and President
Contact person: K. Kai ExxonMobil Y.K., Public and Government Affairs, Communications and Media Division Manager Tel: 03-6713-4400
Scheduled date of Annual General Shareholders' Meeting: March 27, 2012
Scheduled date of filing Annual Securities Report: March 27, 2012
Scheduled date of start of dividends payment: March 28, 2012
Preparation of presentation material for yearly results: Yes
Briefing for institutional investors: Yes

(Amounts shown in truncated millions of yen)

1. Consolidated financial results for the full year 2011 (January 1, 2011 through December 31, 2011)

(1) Operating results

(Parentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2011	2,677,115	11.6	216,191	544.8	217,552	487.8	132,779	209.7
2010	2,398,718	13.6	33,528	–	37,011	–	42,873	–

(Note) Comprehensive income: 132,674Million yen for 2011 (212.2%) 42,498Million yen for 2010 (– %)

	Net income per share	Diluted net income per share	Net income per shareholders' equity	Ordinary income per total assets	Operating income per net sales
	Yen	Yen	%	%	%
2011	235.26	–	43.7	21.5	8.1
2010	75.95	–	18.0	4.2	1.4

(Reference) Equity earnings: 345Million yen for 2011 1,777Million yen for 2010

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
Dec. 31, 2011	1,113,517	359,473	32.3	636.94
Dec. 31, 2010	906,846	248,295	27.4	439.91

(Reference) Net assets: 359,473Million yen as of December 31, 2011 248,295 Million yen as of December 31, 2010

(3) Cash flows

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
2011	51,074	(10,351)	(40,721)	280
2010	83,305	(16,943)	(66,382)	278

2. Dividends

	Annual dividend					Total amount (full year)	Payout ratio (consolidated)	Dividend per net assets (consolidated)
	1Q end	2Q end	3Q end	4Q end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
2010	–	19.00	–	19.00	38.00	21,449	50.0	9.0
2011	–	19.00	–	19.00	38.00	21,446	16.2	7.1
2012(Forecast)		19.00	–	19.00	38.0		71.5	

3. Projected consolidated operating results for 2012 (January 1, 2012 through December 31, 2012)

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q YTD	1,300,000	(0.4)	17,000	(92.2)	18,000	(91.8)	18,000	(86.2)	31.89
Full year	2,700,000	0.9	36,000	(83.3)	37,000	(83.0)	30,000	(77.4)	53.15

4. Others

(1) Change in major subsidiaries in the current period (change in designated subsidiaries resulting in a change in the scope of consolidation): No

(2) Change of accounting principle/procedure and presentation for preparation
- a. Changes due to accounting standards revisions : Yes
- b. Changes other than above : Yes

(Note) For further details, please refer to "4. Consolidated financial statements (7) Change in significant accounting policies" on page 20 and "4. Consolidated financial statements (10) Notes to consolidated financial statements, Deferred tax accounting" on page 24.

(3) Number of shares issued (Common Stock)

a. Number of shares at period end (includes treasury stock)

2011	565,182,000 shares	2010	565,182,000 shares

b. Number of shares of treasury stock at period end

2011	808,432 shares	2010	757,140 shares

c. Average number of shares during the period

2011	564,387,998 shares	2010	564,485,004 shares

(Reference) Summary of non-consolidated financial results

1. Financial results for 2011 (January 1, 2011 through December 31, 2011)

(1) Operating results

(Parentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income			
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2011	2,680,197	12.0	209,951	574.0	212,746	264.2	187,672	317.3
2010	2,392,460	14.5	31,151	–	58,407	–	44,969	–

	Net income per share	Diluted net income per share
	Yen	Yen
2011	332.52	–
2010	79.66	–

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
Dec. 31, 2011	1,132,477	380,255	33.6	673.77
Dec. 31, 2010	839,185	214,158	25.5	379.43

(Reference) Net assets: 380,255Million yen as of December 31, 2011 214,158 Million yen as of December 31, 2010

2. Projected non-consolidated operating results for 2012 (January 1, 2012 through December 31, 2012)

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,700,000	0.7	35,000	(83.3)	36,000	(83.1)	22,000	(83.3)	38.98

- **Audit status of Annual Securities Report *(Yukashoken-Houkokusho)* for 2011**

  This report is not required to be included and is not included in the scope of the external audit conducted pursuant to the Financial Instruments and Exchange Act of Japan. The audit procedures for the consolidated financial statements under the Financial Instruments and Exchange Act of Japan have not been completed as of the timing of disclosure of this report.

- **Explanatory note on the use of projections / other notes**

  This filing contains forward-looking statements based on projections and estimates that involve many variables. The Company operates in an extremely competitive business environment and in an industry characterized by rapid changes in supply-demand balance. Certain risks and uncertainties including, without limitation, general economic conditions in Japan and other countries, crude and product prices and the exchange rate between the yen and the U.S. dollar, could cause the Company's results to differ materially from any projections and estimates presented.

  For further information regarding the projections above, please refer "1. Financial results (1) Analysis of operating results b. Earnings forecast for full year 2012" on page 2.

(Attachments)

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1. Financial results

(1) Analysis of operating results

a. Business overview

Net sales for 2011 amounted to 2,677.1 billion yen, an increase of 278.4 billion yen or 11.6 percent higher versus the previous year, primarily due to higher prices for petroleum and petrochemical products versus 2010 partly offset by volume decrease.
Operating income was 216.2 billion yen, an increase of 182.7 billion yen versus the previous year, primarily due to the significant positive inventory-related effects driven by the inventory valuation method change from the last-in-first-out (LIFO) method applied until December 2010 to the weighted average cost (WAC) method applied beginning on January 1, 2011.
Ordinary income was 217.6 billion yen, an increase of 180.5 billion yen versus the previous year, primarily due to the addition of non-operating items including foreign exchange gains.
With extraordinary items such as asset divestment gains and losses and income tax charges, net income amounted to 132.8 billion yen, an increase of 89.9 billion yen versus the previous year.
The results by segment are as follows:

1) Oil segment

Oil segment income was 211.8 billion yen, an increase of 180.3 billion yen versus the previous year. Improved Oil segment results were mainly attributable to inventory effects of 187.7 billion yen in this segment related to the inventory valuation method change from LIFO to WAC. The factors slightly offsetting the improvement versus the previous year's result were a modest decline in oil product margins, reduced domestic demand and some unplanned refinery unit outages.

Oil segment income compared with the previous year

(Unit: billion yen)

	2011	2010	Difference
Segment income as reported	211.8	31.5	180.3
Inventory-related gain (loss)	187.7	(0.2)	187.9
Effect of difference in timing of crude cost accounting	-	(8.0)	8.0
Segment income excluding above special factors	24.1	39.7	(15.6)

(Note) The item labeled "Effect of differences in timing of crude cost accounting" is no longer relevant from 2011 onwards as the Company changed its accounting to recognize crude costs at the time of discharge rather than loading.

2) Chemical segment

Chemical segment income totaled 4.4 billion yen, a 2.4 billion yen increase from last year. The increase was mainly due to factors such as positive inventory effects of 1.4 billion yen due to the inventory valuation method change noted in the Oil segment, and the absence of last year's unfavorable impact attributable to the regular turnaround at the Kawasaki site.

b. Earnings forecast for full year 2012

(unit: million yen)

Net sales	Operating income	Ordinary income	Net income
2,700,000	36,000	37,000	30,000

Consolidated operating income for the full year 2012 is forecast to decrease by 180.2 billion yen versus 2011 to 36.0 billion yen. Please note that 2011 results included positive inventory-related effects of 189.1 billion yen associated primarily with the inventory valuation method change from LIFO to WAC.
Excluding inventory-related effect, the 2012 operating income forecast includes 30.0 billion yen from the Oil segment, an increase of 5.9 billion yen from 2011, with better refinery performance somewhat offset by margin and volume pressures attributable to the projected decline in domestic petroleum product demand. Chemical segment operating income is forecast at 6.0 billion yen, double the 3.0 billion yen earned in 2011, due to the absence of unplanned steam cracker outage at the Kawasaki site and gradually improving margins for olefins and aromatics. We do not forecast prices of crude oil or petroleum products, and our forecast above assumes no effects from inventory-related gains or losses resulting from crude price fluctuations.
The above forecast also includes 16.4 billion yen of extraordinary gains from the dissolution of the battery separator film business with Toray Industries, Inc. as announced on January 20 of this year.
This forecast does not yet incorporate the EMYK acquisition projected for June 2012.

(2) Analysis of financial condition

a. Total assets, liabilities and net assets

Total assets as of December 31, 2011 were 1,113.5 billion yen, a 206.7 billion yen increase from December 31, 2010, mainly because the increase in inventory book value due to the valuation method change outweighed decreases in fixed assets. Total liabilities as of December 31, 2011 amounted to 754.0 billion yen, a 95.5 billion yen increase from December 31, 2010, which is mainly attributable to the significant increase in deferred tax liabilities associated with inventory valuation methods change and increases in trade accounts payable and income taxes payable. Net assets as of December 31, 2011 amounted to 359.5 billion yen, a 111.2 billion yen increase from December 31, 2010, which is mainly attributable to the 132.8 billion yen of net income offset by dividends paid. .

b. Cash flows

As of December 31, 2011, the outstanding balance of cash and cash equivalent was 280 million yen, an increase of 1 million yen versus December 31, 2010. Key factors influencing cash flows are summarized below.
In 2011, cash flows from operating activities were positive 51.1 billion yen. Positive factors such as operating income and depreciation outweighed negative factors such as an increase in working capital due to changes in trade accounts payable and receivable. The change in inventory valuation method had no cash flow impact in the period.
Cash flows from investing activities were negative 10.4 billion yen, mainly due to capital expenditures.
Cash flows from financing activities were negative 40.7 billion yen. Short-term loan receivables increased as a result of cash from generated from operating activities.

c.. Key financial indices

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Shareholders’ equity ratio (%) - book base	20.4	30.0	26.0	27.4	32.3
Shareholders’ equity ratio (%) - market base	59.6	56.1	50.0	55.3	42.6
Cash flow vs. interest-bearing debt (Times)	16.7	0.5	16.3	0.6	1.2
Interest coverage ratio (Times)	9.4	205.0	14.5	234.8	172.5

(Note)
1. Definitions are as follows:
   Shareholders’ equity ratio - book base: (period-end total net assets - period-end minority interests) / period-end total assets
   Shareholders’ equity ratio - market base: total value of stock ex. treasury stock at period-end market price / period-end total assets
   Cash flow vs. interest-bearing debt: period-end interest-bearing debt / operating cash flow
   Interest coverage ratio: operating cash flows / interest paid
2. All indicators have been calculated based on consolidated financial data.
3. Operating cash flow is net cash provided by (used in) operating activities shown in the Consolidated statement of cash flows.
4. Interest-bearing debt is actual interest-bearing debt, defined as short-term loans payable and long-term loans payable on the Consolidated balance sheet. Interest paid is the amount shown in the Consolidated statement of cash flows.

(3) Dividend policy, dividend in current period and dividend in next period

a. Dividend policy

The Company intends to continue to carry out its stable dividend policy, while taking into account factors such as the need to maintain a solid balance sheet, generation of cash flows, and capital expenditures plans.

b. Dividend in current period

The Company projects a payment to its shareholders as of December 31, 2011 of 19 yen per share as a final dividend for the term ended December 31, 2011, subject to approval at the general meeting of shareholders.

c. Dividend in next period

Full-year dividends for 2012, like those of 2011, are forecast to be 38 yen per share, subject to review of our full year business performance and cash flow results and the decision of both our Board of Directors and shareholders.

(4) Business and other risks

The following are risk factors that may affect the operating results and financial position of the TG Group (TonenGeneral Sekiyu K.K. [the Company] and its consolidated subsidiaries) as well as the share price of the Company.

a. Competitive factors

The energy and petrochemical industries are highly competitive. There is competition within the industry, as well as with other industries, in supplying products to customers. A key component of the Company's competitive position, particularly given the commodity-based nature of many of its products, is its ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency.

b. Political factors

The Company's facilities are located in Japan. The Company also acquires crude and feedstock supplies from a wide diversity of sources worldwide and conducts export sales primarily within Asia. Consequently, the Company's business operations may in the future be affected from time to time from both domestic and worldwide political developments and governmental activities primarily those that might interfere with normal supply, production and sales activities. Both the likelihood of such occurrences and their overall effect upon the TG Group vary greatly and are not predictable.

c. Regulatory factors

It is possible that the earnings of the TG Group could be affected by laws and regulations applicable to the energy and petrochemical industries. Examples of such laws and regulations include: environmental regulations; restrictions on production, imports and exports, and facilities; price controls; changes in taxation.

The Company submitted plans to the Ministry of Economy, Trade and Industry (METI) for compliance with regulations issued by METI on July 5, 2010 concerning the Energy Supply Structural Improvement Law dealing with the required ratio of atmospheric pipestill capacity to bottoms conversion capacity. The options in the submitted plan include the reduction of pipestill capacity and investment in conversion capability. The choice of option is to be determined following further evaluation by the Company. At this time it is not possible to predict the impact of these regulations on the Company's future earnings.

d. Industry and economic factors

The operations and earnings of the TG Group are affected by local, regional and global events or conditions that in turn affect supply and demand for oil, petroleum products and petrochemical products. These events and conditions are generally not predictable and include, among other things, general economic growth rates and the occurrence of economic recessions, supply disruptions, weather, including seasonal patterns that affect energy demand and severe weather events that can disrupt operations; technological advances, including advances in technology relating to energy usage in refining and production; changes in demographics, including population growth rates and consumer preferences; and the competitiveness of alternative hydrocarbon or other energy sources or product substitutes.

e. Market risks, inflation and other uncertainties

Crude oil, petroleum product and chemical prices have fluctuated widely in response to changing market forces and the dollar-yen exchange rates. The impacts of these price fluctuations on earnings of the TG Group are generally not predictable.

f. Disaster and accident risk

All of the Company's refineries, terminals and service stations are operated in accordance with the Company's Operations Integrity Management System to help ensure management of risk of loss and to ensure safety, health and environmental soundness in all aspects of the Company's operations. In spite of such thorough efforts to pursue safety, our business activities might be negatively affected by natural disasters, unexpected accidents, and resulting shutdowns at our business sites.

The Company generally carries property insurance against natural disaster and accidents to the extent feasible and reasonable. However, it is uncertain as to whether the insurance would cover any conceivable loss.

g. Information management risk

In an effort to secure proper use and management of confidential information including personal data, the TG Group has taken appropriate measures such as installation of firewalls on computer networks, introduction of computer antivirus software to protect internal databases and PC operations, monitoring of computer networks, and use of dedicated lines for data exchange with external parties. We have required that service providers to whom we have outsourced our customer data adopt the same security policies, to ensure that our customer data has been properly managed and monitored. Nevertheless, in cases of loss, leak or falsification of internal information including customer data, our business activities might be negatively affected.

Among the risks stated above, the risks relative to the future events are the perception as of the end of this period. The risks stated above do not necessarily cover all risks relative to the TG Group.

2. Description of group companies

Major businesses of our 14 companies (the Company, 5 consolidated subsidiaries, 6 affiliates accounted for by the equity method, 1 affiliated company and 1 parent company) are importing, shipping, refining and marketing of crude oil, petroleum products, chemical products and related products.

The following table shows our business activities.

(As of December 31, 2011)

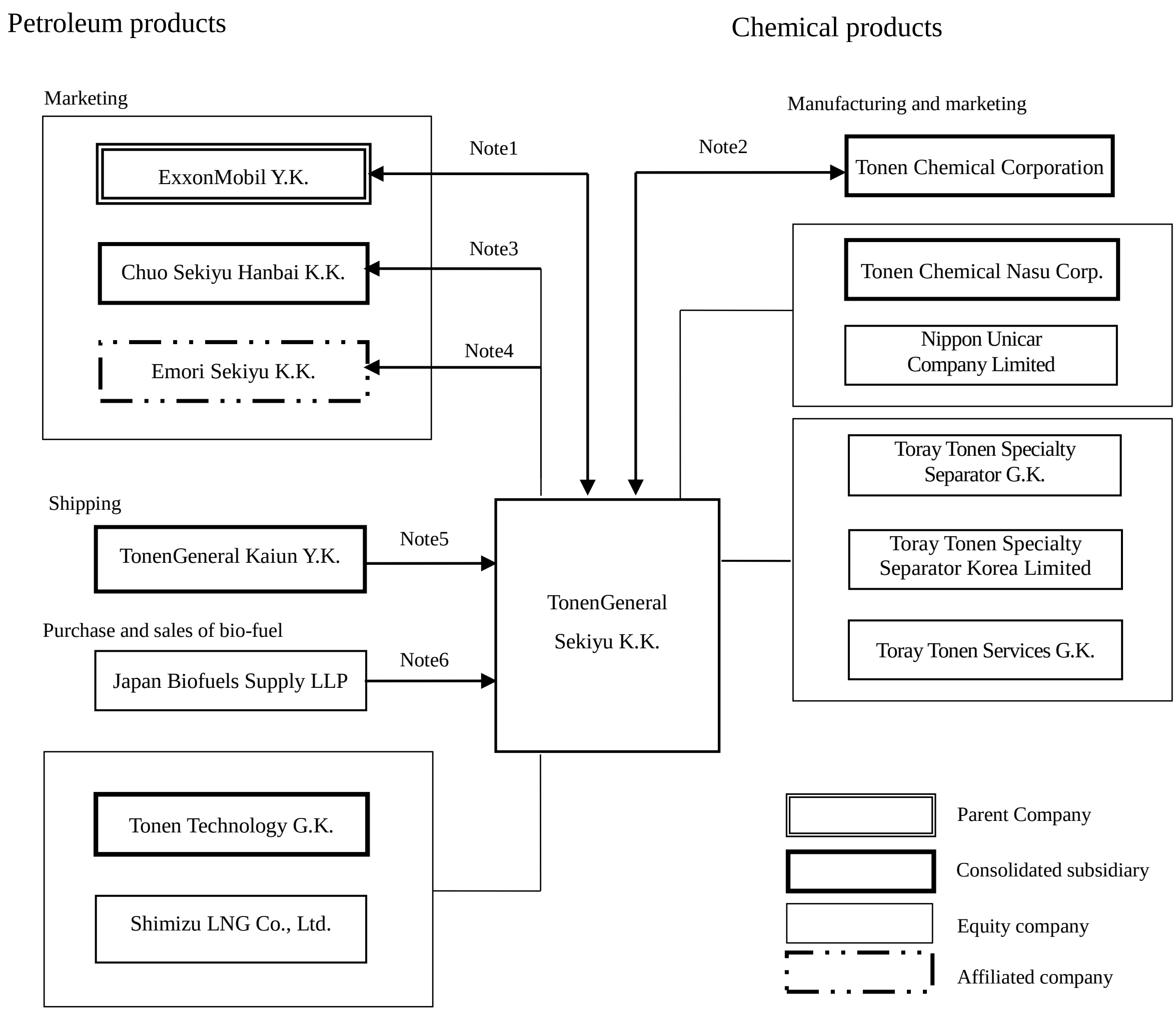
<table>
<tr><th>Segment</th><th>Function</th><th>Major business</th><th>Name of company</th><th>Number of companies</th></tr>
<tr><td rowspan="4">Oil</td><td>Marketing</td><td>Sales of petroleum products</td><td>TonenGeneral Sekiyu K.K., ExxonMobil Y.K.,
Chuo Sekiyu Hanbai K.K., Emori Sekiyu K.K.</td><td>4</td></tr>
<tr><td>Refining</td><td>Manufacturing, processing and sales of petroleum products</td><td>TonenGeneral Sekiyu K.K.</td><td>1</td></tr>
<tr><td>Shipping</td><td>Marine transportation of crude oil and petroleum products</td><td>TonenGeneral Kaiun Y.K.</td><td>1</td></tr>
<tr><td>Others</td><td>Purchases and sales of LNG
Purchases and sales of bio-fuel
Construction management</td><td>Shimizu LNG Co., Ltd.
Japan Biofuels Supply LLP
Tonen Technology G.K.</td><td>3</td></tr>
<tr><td>Chemical</td><td>Manufacturing and Marketing</td><td>Manufacturing, processing and sales of chemical products</td><td>TonenGeneral Sekiyu K.K., ExxonMobil Y.K.,
Tonen Chemical Corp., Tonen Chemical Nasu Corp.,
Toray Tonen Specialty Separator G.K.,
Toray Tonen Specialty Separator Korea Limited,
Toray Tonen Services G.K.,
Nippon Unicar Company Limited</td><td>8</td></tr>
</table>

(Note) 1. Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is another parent company, but it is not included in this table as there are no material business transactions with the Company.

2. Tonen Technology Kabushiki Kaisha and Tonen Chemical Corporation converted their entity forms from *Kabushiki Kaisha* to *Godo Kaisha* as of December 5, 2011.

3. As a consequence of redemption of the TG subsidiaries' interests in Toray Tonen Specialty Separator G.K., TG's ownership ratio of Toray Tonen Specialty Separator G.K., Toray Tonen Specialty Separator Korea Limited, and Toray Tonen Services G.K. became zero as of January 31, 2012. These three companies are therefore no longer accounted for by the equity method beginning in 2012.

Business structure of the TG Group as of December 31, 2011 is shown below:



(Note)
1. Mutually conduct sales of petroleum products and provision of services
2. Purchases petrochemical feedstock and was entrusted with part of the refining operation
3. Purchases petroleum products
4. Purchases petroleum products
5. Conducts shipping of crude oil and products
6. Sales of bio-fuel

3. Corporate principles

(1) Basic corporate philosophy

The TG Group conducts its business operations in accordance with the following management philosophies:

- Strive to be a good corporate citizen in all the places we operate, making valuable contributions to shareholders, customers, employees, local communities and society. We are committed to maintaining the highest ethical standards and complying with all applicable laws and regulations. Furthermore, we are dedicated to running our operations with the utmost attention to safety, health and the environment.
- Respond quickly and reliably to changing circumstances and customer needs
- Utilize the benefits of the ownership and business relationship with the ExxonMobil group where it is advantageous to the Company to do so.
- Conduct our operations in an economically, environmentally and socially responsible manner. Stay committed to operating a sustainable and profitable business in Japan.
- Respond to energy demands with a reliable supply of high-quality products.

(2) Operating strategies, objectives and indicators

The TG Group's corporate goal is to maintain and enhance our operations in order to remain one of the best petroleum and petrochemical companies in Japan, with world-class cost competitiveness and technology. TG will continue to strive toward global levels of operational efficiency and profitability.

- Commitment to Safety, Health and Environment

  To achieve safe, healthy and environmentally sound operations, with effective application of systems and energy-saving methods. Our commitment to safety, health and the environment is our first priority.
- Business Integrity and Governance

  To operate with the highest standards of business ethics.
- Oil Segment
  - Refining and Supply

    To achieve a first quartile position in the refinery efficiency rankings (Solomon survey). Our long-term objective is to achieve Japan industry pacesetting performance in terms of return on capital employed (ROCE).
  - Marketing

    To promote cost competitive self-service network, enhance the value of our "Express" brand, and pursue the best balance between margins and sales volume.
- Chemical Segment

  To continue pursuing synergy of integrated operation of petrochemical and refining in our basic chemical businesses, and to focus on enhancement of specialty chemical products.

(3) Issues to be addressed

As for the guideline by METI in July 2010 requiring that all refining companies increase the ratio of bottom-cracking to topper capacity by March 2014, we continue to assess both investment and capacity reduction options. We will only make a final decision much closer to the required compliance date driven by the practical aspects of implementing the chosen compliance approach.

In addition to the above, the business environment in which we operate is anticipated to experience continued pressure on volumes and margins in 2012. In this business environment, all functions of our Oil and Chemical segments will continue to work together to pursue efficiency and profitability improvement.

In our Oil business, we will continue to focus on effective utilization of secondary units and full capture of integration synergies among the refining and chemical businesses. In marketing, we will continue to focus on further enhancement of the Express brand value and further expansion of the alliance network with convenience stores. In our Chemical business, we will continue to enhance the cost competitiveness of our basic chemicals business and to further enhance our specialty chemicals business.

On January 29, 2012, the Company announced that it has decided to acquire 99% of the issued share capital of ExxonMobil Yugen Kaisha (EMYK) through a transaction expected to close in June 2012. EMYK is currently a wholly-owned subsidiary and a Japanese arm of Exxon Mobil Corporation, which currently owns a controlling interest in the Company indirectly through EMYK. The acquisition involves a purchase price of 302 billion yen (*) and ExxonMobil affiliates will retain certain chemical businesses and 80 million of the TG shares now owned by EMYK. Consequently, after the transaction is completed, Exxon Mobil Corporation will continue to be a major but non-controlling shareholder of the Company. The Company intends to use a part of its cash on hand (which totaled approximately 100 billion yen at the end of December 2011) as well as bank borrowings to fund the purchase price.

(*) Prior to the Acquisition, there will be some adjustments to the Purchase Price such as taking into account the cash ExxonMobil Yugen Kaisha will have received through the divestment of a part of the asset and business.

In addition to this transaction maintaining capital ties with Exxon Mobil Corporation, the Company and EMYK (collectively, together with the Company's subsidiaries and affiliates, the "Company Group") will combine to form an integrated production-distribution-marketing operation, and enter into a new business alliance with Exxon Mobil Corporation. The Company hereby endeavors to take a new step toward further enhancing the competitiveness of the Company Group, and its existing four businesses (Refining and Supply, Fuels Marketing, Lubricants and Specialties, and Chemical). Through the Transaction, the Company aims to realize the goals below:

i. Further strengthen integration among the businesses through common management of production and marketing.
ii. Develop and secure local investment opportunities that are appropriate for the Japanese market environment including greater collaboration with other companies as well as effective investments in energy conservation.
iii. Generate stable and continuous profits and cash flows by combining the Company's portfolio with that of EMYK whose petroleum products sales business has high efficiency and profitability.

Exxon Mobil Corporation will continue to be a major but non-controlling shareholder of the Company, and the Company Group will have exclusive rights to use Exxon Mobil Corporation's brands in Japan. The Company Group will continue to deliver products and services under the 'Esso', 'Mobil', and 'General' brands to customers, distributors and dealers, and also further strengthen its business alliance with Exxon Mobil Corporation as it relates to the lubricant business represented by the 'Mobil 1' brand. Moreover, the company continues to enjoy use of Exxon Mobil Corporation's technology and technological support relating to oil refining and petrochemicals, and also continues cooperation with Exxon Mobil Corporation in crude procurement.

Further details regarding these transactions are available on our website.
(http://tonengeneral.co.jp/apps/tonengeneral/english/index.html)

While the restructuring described above is a significant step for the Company and presents many opportunities, the Company fully intends to retain the fundamental principles that have guided the Company Group successfully in the past as we move into the new organization. The first is our emphasis on flawless operations. The new organization is predicated on a firm foundation of operations integrity management that has given us industry-leading performance in safety and environmental protection. The second, our high ethical standards, effective corporate governance and standards of business conduct, and transparency in our financial reporting are consistent principles in the management of the new organization. Third, all investment proposals will be subject rigorous evaluation as they are today. We are known in the industry for our strong self-help measures and relentless focus on increased efficiency, and for maintaining a healthy financial base. Finally, we will maintain the current shareholder-oriented management policies of competitiveness, capital efficiency, and provision of a stable dividend.

Through adapting quickly to changing customer needs and providing high value-added products and services, we will strive to maximize shareholder returns, and furthermore contribute to society as an energy company, fulfilling its social responsibilities to provide a reliable supply of energy.

4. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2010)	Current period (December 31, 2011)
Assets		
Current assets		
Cash and deposits	278	280
Notes and accounts receivable-trade	414,435	445,227
Merchandise and finished goods	28,937	62,013
Semi-finished goods	25,512	57,850
Raw materials	67,520	188,853
Supplies	5,043	5,168
Income taxes receivable	6,892	–
Deferred tax assets	6,468	519
Short-term loans receivable	74,349	103,846
Other	8,078	8,726
Allowance for doubtful accounts	(44)	(41)
Total current assets	637,471	872,445
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	205,811	205,570
Accumulated depreciation	(162,685)	(165,944)
Buildings and structures, net	43,125	39,626
Tanks	66,670	66,818
Accumulated depreciation	(61,863)	(62,441)
Tanks, net	4,806	4,377
Machinery, equipment and vehicles	599,626	602,055
Accumulated depreciation	(544,363)	(557,048)
Machinery, equipment and vehicles, net	55,263	45,007
Tools, furniture and fixtures	10,606	11,521
Accumulated depreciation	(8,983)	(9,396)
Tools, furniture and fixtures, net	1,622	2,124
Land	76,623	76,040
Construction in progress	6,518	5,558
Total property, plant and equipment	187,960	172,734
Intangible assets		
Leasehold right	1,511	1,492
Software	2,554	2,575
Other	236	206
Total intangible assets	4,302	4,274
Investments and other assets		
Investment securities	51,900	50,805
Deferred tax assets	10,145	163
Other	15,361	13,386
Allowance for doubtful accounts	(295)	(293)
Total investments and other assets	77,112	64,062
Total noncurrent assets	269,375	241,071
Total assets	906,846	1,113,517

(Unit: Million yen)

	Prior period (December 31, 2010)	Current period (December 31, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	280,210	302,516
Gasoline taxes payable	185,170	180,890
Short-term loans payable	49,029	61,056
Income taxes payable	498	22,019
Accrued consumption taxes	14,165	9,728
Guarantee deposits payable	8,034	7,822
Deferred tax liabilities	–	8,471
Provision for bonuses	1,153	1,121
Provision for offshore well abandonment	824	–
Other	58,678	57,154
Total current liabilities	597,766	650,780
Noncurrent liabilities		
Long-term loans payable	3,985	2,231
Deferred tax liabilities	1,661	40,909
Provision for retirement benefits	37,187	40,870
Provision for directors' retirement benefits	48	62
Provision for repairs	16,615	17,330
Asset retirement obligation	–	691
Other	1,286	1,168
Total noncurrent liabilities	60,784	103,262
Total liabilities	658,551	754,043
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus	20,741	20,742
Retained earnings	193,234	304,566
Treasury stock	(647)	(697)
Total shareholders' equity	248,451	359,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5	(72)
Foreign currency translation adjustment	(161)	(188)
Total accumulated other comprehensive income	(156)	(261)
Total net assets	248,295	359,473
Total liabilities and net assets	906,846	1,113,517

(2) Consolidated statement of income and comprehensive income

a. Consolidated statement of income

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Net sales	2,398,718	2,677,115
Cost of sales	2,331,852	2,428,148
Gross profit	66,865	248,966
Selling, general and administrative expenses	33,337	32,775
Operating income	33,528	216,191
Non-operating income		
Interest income	99	117
Dividends income	80	85
Foreign exchange gains	1,933	1,083
Equity in earnings of affiliates	1,777	345
Other	61	79
Total non-operating income	3,951	1,710
Non-operating expenses		
Interest expenses	345	299
Other	123	49
Total non-operating expenses	469	348
Ordinary income	37,011	217,552
Extraordinary income		
Gain on sales of noncurrent assets	1,581	1,958
Reversal of provision for offshore well abandonment	–	654
Gain on change in equity	20,174	–
Total extraordinary income	21,756	2,613
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,527	644
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	545
Impairment loss	839	43
Total extraordinary losses	2,366	1,233
Income before income taxes and minority interests	56,400	218,933
Income taxes-current	956	22,459
Income taxes-deferred	12,570	63,693
Total income taxes	13,527	86,153
Income before minority interests	–	132,779
Net income	42,873	132,779

b. Consolidated statement of comprehensive income

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Income before minority interests	–	132,779
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(78)
Share of other comprehensive income of associates accounted for using equity method	–	(26)
Total other comprehensive income	–	(105)
Comprehensive income	–	132,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	–	132,674

(3) Consolidated statement of changes in net assets

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	35,123	35,123
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	35,123	35,123
Capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Disposal of treasury stock	–	0
Total changes of items during the period	–	0
Balance at the end of current period	20,741	20,742
Retained earnings		
Balance at the end of previous period	171,814	193,234
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	42,873	132,779
Disposal of treasury stock	(2)	–
Total changes of items during the period	21,419	111,332
Balance at the end of current period	193,234	304,566
Treasury stock		
Balance at the end of previous period	(539)	(647)
Changes of items during the period		
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	24	9
Total changes of items during the period	(108)	(49)
Balance at the end of current period	(647)	(697)
Total shareholders' equity		
Balance at the end of previous period	227,140	248,451
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	42,873	132,779
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	21	9
Total changes of items during the period	21,310	112,283
Balance at the end of current period	248,451	359,734

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	162	5
Changes of items during the period		
Net changes of items other than shareholders' equity	(156)	(78)
Total changes of items during the period	(156)	(78)
Balance at the end of current period	5	(72)
Foreign currency translation adjustment		
Balance at the end of previous period	56	(161)
Changes of items during the period		
Net changes of items other than shareholders' equity	(218)	(26)
Total changes of items during the period	(218)	(26)
Balance at the end of current period	(161)	(188)
Total accumulated other comprehensive income		
Balance at the end of previous period	219	(156)
Changes of items during the period		
Net changes of items other than shareholders' equity	(375)	(105)
Total changes of items during the period	(375)	(105)
Balance at the end of current period	(156)	(261)
Total net assets		
Balance at the end of previous period	227,359	248,295
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	42,873	132,779
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	21	9
Net changes of items other than shareholders' equity	(375)	(105)
Total changes of items during the period	20,935	111,178
Balance at the end of current period	248,295	359,473

(4) Consolidated statement of cash flows

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	56,400	218,933
Depreciation and amortization	28,134	26,993
Equity in (earnings) losses of affiliates	(1,777)	(345)
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	545
Reversal of provision for offshore well abandonment	–	(654)
Increase (decrease) in provision for bonuses	(160)	(31)
Increase (decrease) in provision for retirement benefits	2,270	3,682
Increase (decrease) in provision for repairs	(1,231)	714
Loss (gain) on sales and retirement of noncurrent assets	(54)	(1,313)
Impairment loss	839	43
Interest and dividends income	(179)	(202)
Interest expenses	345	299
Loss (gain) on change in equity	(20,174)	–
Decrease (increase) in notes and accounts receivable-trade	(19,519)	(30,791)
Decrease (increase) in inventories	(5,142)	(186,872)
Decrease (increase) in accounts receivable-other	433	215
Increase (decrease) in notes and accounts payable-trade	13,245	22,305
Increase (decrease) in accounts payable-other	9,091	(8,447)
Other	29,207	(595)
Subtotal	91,729	44,476
Interest and dividends income received	691	1,222
Interest expenses paid	(354)	(296)
Payments for early extra retirement payments	(240)	(1)
Income taxes refund	181	7,206
Income taxes paid	(8,701)	(1,533)
Net cash provided by (used in) operating activities	83,305	51,074
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(19,265)	(12,317)
Proceeds from sales of property, plant and equipment	2,613	2,431
Purchase of intangible assets	(427)	(613)
Proceeds from sales of intangible assets	–	30
Payments of long-term loans receivable	(5)	(9)
Collection of long-term loans receivable	141	127
Net cash provided by (used in) investing activities	(16,943)	(10,351)

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Net cash provided by (used in) financing activities		
Net decrease (increase) in short-term loans receivable	(9,272)	(29,496)
Net increase (decrease) in short-term loans payable	(33,793)	12,026
Repayment of long-term loans payable	(1,754)	(1,754)
Purchase of treasury stock	(132)	(58)
Proceeds from sales of treasury stock	21	9
Cash dividends paid	(21,452)	(21,447)
Net cash provided by (used in) financing activities	(66,382)	(40,721)
Effect of exchange rate change on cash and cash equivalents	(11)	–
Net increase (decrease) in cash and cash equivalents	(32)	1
Cash and cash equivalents at beginning of period	789	278
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(479)	–
Cash and cash equivalents at end of period	278	280

(5) Notes on assumption of going concern

No items to report.

(6) Significant accounting policies

a. Scope of consolidation

Consolidated subsidiaries: 5 companies

Each company's name is omitted as they are already listed in "2. Description of group companies".

b. Application of equity method

1) Affiliates accounted for by the equity method: 6 companies

Each company's name is omitted as they are already listed in "2. Description of group companies".

2) Non-equity-method companies

Affiliated companies: 1 company

Name of the company: Emori Sekiyu K.K.

3) Reason equity method was not applied

The affiliated company is not accounted for by the equity method because it does not have a material impact on net income (loss), retained earnings, etc. on a consolidated basis.

c. Closing date of consolidated subsidiaries

Closing dates of consolidated subsidiaries are the same as that of the Company.

d. Summary of significant accounting procedures

In order to prepare each company's financial statements, which form the basis of these consolidated financial statements, the Company and its subsidiaries applied the following accounting procedures.

1) Valuation rules and method

- Inventories

Generally the lower of acquisition costs determined by the WAC (weighted average cost) method or their net realizable value

- Securities

Other securities:

・Securities with readily determinable fair values

Market value at the closing date (Valuation difference on available-for-sales securities is directly reflected in net assets, and cost of sales is calculated using the moving-average method)

・Securities without readily determinable fair values

The moving-average cost method

-Derivative transactions, etc.

Market value at the closing date

2) Depreciation and amortization of significant noncurrent assets

- Property, plant and equipment (excluding leased assets)

Generally the declining-balance method

The service life ranges by major assets are:

Buildings and structures	10 to 50 years
Tanks	10 to 25 years
Machinery, equipment and vehicles	7 to 15 years

- Intangible assets (excluding leased assets)

The straight-line method

In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method

- Lease assets

The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee and which became effective before January 1, 2009, is the same as the method applied to ordinary operating lease transactions.

3) Basis for significant provisions

- Allowance for doubtful accounts

To provide for losses due to bad debt, the Company and its consolidated subsidiaries reserve an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the estimated recoverability from individual customers.

- Provision for bonuses

To provide for the payment of employees' bonuses, the Company and its consolidated subsidiaries accrue an estimated reserve for the period.

- Provision for retirement benefits

To provide for the payment of employees' post-retirement benefits, the Company and its consolidated subsidiaries accrue an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date.

Any differences in actuarial calculations of retirement benefits are amortized beginning with the next accounting period, using the declining-balance method over a period determined based on employees' average remaining service years (12 years).

Prior service liabilities are amortized using the straight-line method over employees' average remaining service years

Before 2004:	15.5 years
Since 2004:	
The Company	12.9 years
Consolidated subsidiaries	11.4 years
Since 2007:	
The Company	11.9 years
Consolidated subsidiaries	11.0 years

- Provision for directors' retirement benefits

To provide for the payment of officers' post-retirement allowance, the Company and its consolidated subsidiaries reserve an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.

- Provision for repairs

To provide for periodic tank inspections required under the Fire Service Act and for periodic repairs of machinery and equipment, the Company and one consolidated subsidiary reserve an estimated cost for the consolidated accounting period, based on actual payments and repair plans, respectively

4) Translation method for foreign currency assets and liabilities

Foreign currency assets and liabilities are translated into yen at the spot rate at the closing date, and any difference from exchange rate change is reflected in income.

5) Accounting method for consumption taxes

Each item in the consolidated statement of income does not include consumption taxes

e. Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents are composed of cash on hand, deposits drawable at any time, deposits readily convertible to cash and price change insensitive short-term advances whose maturity comes generally within three months.

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(7) Change in significant accounting policies

a. Inventories

In accordance with the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on September 26, 2008), the Company changed its inventory valuation method from LIFO (last in first out) to WAC beginning in the current period. Inventories during the current period are carried at the lower of net realizable value or cost, generally determined under the WAC method.

During the current period, the change in accounting method had a favorable 190,331 million yen impact on operating income, ordinary income, and income before incomes taxes and minority interests, respectively, compared to the results as measured under the previous LIFO method.

b. Asset Retirement Obligations

The Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) beginning in the current period.

During the current period, this had an unfavorable 28 million yen impact on operating income and ordinary income, respectively, and an unfavorable 574 million yen impact on income before income taxes and minority interest.

c. Application of the "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

The Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No. 24 issued on March 10, 2008) beginning in the current period.

There is no earnings impact from this change.

(8) Change in presentation

-Consolidated statement of income

The "Cabinet Office Ordinance on the Partial Amendments to the Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008) has been applied beginning in the current period.

The section "Income before minority interests" is newly presented accordingly.

-Consolidated balance sheet

"Income taxes receivable" which had been independently presented in the section of "Current assets" in the prior period, is included in "Other" beginning in the current period because its amount is immaterial.

The outstanding balance of income taxes receivable at the end of the current period is 75 million yen.

(9) Additional information

-Consolidated balance sheet

The Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010) beginning in the current period. The amount presented as "Accumulated other comprehensive income" in the prior period column shows the amount of "Valuation and translation adjustments", and the amount presented as "Total accumulated other comprehensive income" in the prior period column shows the amount of "Total valuation and translation adjustments".

(10) Note to consolidated financial statements

（Consolidated statements of comprehensive income）

Comprehensive income of the prior period		
Comprehensive income attributable to owners of parent	42,498	million yen
Other comprehensive income of the prior period		
Valuation difference on available-for-sale securities	(156)	million yen
Share of other comprehensive income of associates accounted for using equity method	(219)	million yen
Total	(375)	million yen

(Segment information)

a. Segment information by business line

Prior period (January 1, 2010 through December 31, 2010)

(Unit: Million yen)

	Oil	Chemical	Total	Elimination	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to third parties	2,178,937	219,780	2,398,718	–	2,398,718
(2) Internal transactions	202,278	29,846	232,124	(232,124)	–
Total	2,381,215	249,626	2,630,842	(232,124)	2,398,718
Operating expenses	2,349,697	247,616	2,597,314	(232,124)	2,365,189
Operating income	31,518	2,010	33,528	–	33,528
II. Assets, depreciation and amortization, impairment loss and capital expenditures					
Assets	834,828	95,433	930,261	(23,415)	906,846
Depreciation and amortization	24,213	3,921	28,134	–	28,134
Impairment loss	839	–	839	–	839
Capital expenditures	12,176	7,516	19,693	–	19,693

(Note) 1. Classification by business line is based on the internal control procedure the Company has adopted.

2. The major products and business activities of each business line:

(1) Oil: Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, construction management, etc.

(2) Chemical: Ethylene, Propylene, Benzene, Toluene, Paraxylene, Battery Separator Film, etc.

b. Segment information by geographic area

Prior period (January 1, 2010 through December 31, 2010)

The information is omitted, because over 90% of total net sales originated in Japan.

c. Overseas sales

Prior period (January 1, 2010 through December 31, 2010)

The information is omitted, because overseas sales are less than 10% of consolidated net sales.

d. Segment information

Current period (January 1, 2011 through December 31, 2011)

1. Overview of reportable segments

The business segments of the Company's group are the functional segments for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resources to be allocated to the segment and assess its performance.

"Oil segment" and "Chemical segment" are identified as reportable segments in accordance with the nature of the operations undertaken and products sold by the Company's group. The Oil segment is organized and operates to manufacture and sell petroleum products, and the Chemical segment is organized and operates to manufacture and sell petrochemical products.

The major products or services by each segment are as follows:

(1) Oil: Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, Construction Management, etc.
(2) Chemical: Ethylene, Propylene, Benzene, Toluene, Paraxylene, etc.

2. Measurement method of net sales and segment income, assets, liabilities and others by reportable segments

The accounting methods used in the reportable segments are the same as described in "(6) Significant accounting policies".

The amounts of internal transactions between segments are based on fair market value.

3. Net sales, segment income, assets, liabilities and other information by reportable segments

Prior period (January 1, 2010 through December 31, 2010)

(Unit: Million yen)

	Oil	Chemical	Total
Net sales			
(1) Sales to third parties	2,178,937	219,780	2,398,718
(2) Internal transactions	202,278	29,846	232,124
Total	2,381,215	249,626	2,630,842
Segment income	31,518	2,010	33,528
Other items			
Depreciation and amortization	24,213	3,921	28,134

(Note) 1. Total segment income is the same as operating income in the consolidated statement of income.
2. The information of assets is omitted because the Company does not allocate assets into segments.

Current period (January 1, 2011 through December 31, 2011)

(Unit: Million yen)

	Oil	Chemical	Total
Net sales			
(1) Sales to third parties	2,425,189	251,925	2,677,115
(2) Internal transactions	237,337	34,746	272,083
Total	2,662,527	286,671	2,949,199
Segment income	211,791	4,399	216,191
Other items			
Depreciation and amortization	22,036	4,957	26,993

(Note) 1. Total segment income is the same as operating income in the consolidated statement of income.
2. The information of assets is omitted because the Company does not allocate assets into segments.

e. Related information

Current period (January 1, 2011 through December 31, 2011)

1. Information by products and services
   This information is omitted, because the same information is presented in “Segment information”.

2. Information by geographic area
   (1) Net sales
   The information is omitted, because over 90% of total net sales are sales to third parties in Japan.

   (2) Tangible assets
   This information is omitted, because the Company does not own any tangible assets outside of Japan.

3. Information by major customers

(Unit: Million yen)

Customer name	Net sales	Related segment
ExxonMobil Y.K.	1,614,520	Oil, Chemical
Kygnus Sekiyu K.K.	384,527	Oil

f. Impairment loss of tangible fixed assets by reportable segments

Current period (January 1, 2011 through December 31, 2011)

(Unit: Million yen)

	Oil	Chemical	Total
Impairment loss	43	–	43

g. Amortization and residual balance of goodwill by reportable segments

Current period (January 1, 2011 through December 31, 2011)

No items to report.

h. Negative goodwill by reportable segments

Current period (January 1, 2011 through December 31, 2011)

No items to report.

<Additional information>

The “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 issued on March 21, 2008) have been applied beginning in the current period.

(Deferred tax accounting)

a. Detail of deferred tax assets and deferred tax liabilities

Prior period (December 31, 2010)

(Deferred tax assets)	
Provision for retirement benefits	14,778 million yen
Provision for repairs	4,860
Tax loss carry forward	3,638
Accumulated impairment loss	1,945
Variance from different inventory valuations	1,644
Accrued removal expenses	600
Other	2,092
Total deferred tax assets	29,560
(Deferred tax liabilities)	
Reserve for property replacement	(10,108) million yen
Provision for retirement benefits	(2,132)
Other	(2,368)
Total deferred tax liabilities	(14,608)
Net of deferred tax assets	14,951

Current period (December 31, 2011)

(Deferred tax assets)	
Provision for retirement benefits	14,537 million yen
Provision for repairs	4,872
Accumulated impairment loss	1,719
Accrued enterprise tax payable	1,577
Other	2,471
Total deferred tax assets	25,178
(Deferred tax liabilities)	
Deferred taxation on the gain from inventory valuation method change	(59,906) million yen
Reserve for property replacement	(8,670)
Provision for retirement benefits	(1,913)
Other	(3,386)
Total deferred tax liabilities	(73,876)
Net of deferred tax liabilities	(48,697)

b. Factors in the difference between the statutory effective tax rate and actual effective tax rate

Prior period (December 31, 2010)

Statutory effective tax rate	40.7 %
(Adjustments)	
Earnings from change in equity	(14.9)
Equity earnings	(1.3)
Items not recognized as income, such as dividends received	(1.0)
Others	0.5
Actual effective tax rate	24.0

Current period (December 31, 2011)

Statutory effective tax rate	40.7 %
(Adjustments)	
Adjustments of deferred tax assets and liabilities due to the change in statutory effective tax rate	(2.1)
Others	0.8
Actual effective tax rate	39.4

c. Adjustments of deferred tax assets and liabilities due to the change in statutory effective tax rate

The “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake” (Act No. 117 of 2011) were issued on December 2, 2011 and the income tax rate is to be changed accordingly with effect from business terms beginning on April 1, 2012 and onward.

In accordance with the change, statutory effective tax rates for the Company to calculate the amounts of deferred tax assets and liabilities have been applied as follows depending on the reversal timing of each temporary item.

Timing of reversal	Tax rate
December 31, 2012 and before	40.69%
January 1, 2013 through December 31, 2015	38.01%
January 1, 2016 onward	35.64%

Due to the change, on the balance sheet as of December 31, 2011, the net amount of deferred tax assets decreased by 20 million yen, the net amount of deferred tax liabilities decreased by 4,520 million yen and valuation difference on available-for-sale securities decreased by 5 million yen, respectively. On the income statement for the current period, Income taxes-deferred decreased by 4,504 million yen.

(Financial data per share)

Prior period (January 1, 2010 through December 31, 2010)

Net assets per share	439.91 yen
Net income per share	75.95 yen

(Note) Basis of the calculation

1. Diluted net income per share for the current period is not noted because the Company has not issued any dilutive securities.
2. Net income per share

Net income	42,873 million yen
Net income not relating to common shareholders	–
Net income pertaining to common stock	42,873 million yen
Average number of outstanding common shares	564,485,004 shares

Current period (January 1, 2011 through December 31, 2011)

Net assets per share	636.94 yen
Net income per share	235.26 yen

(Note) Basis of the calculation

1. Diluted net income per share for the current period is not noted because the Company has not issued any dilutive securities.
2. Net income per share

Net income	132,779 million yen
Net income not relating to common shareholders	–
Net income pertaining to common stock	132,779 million yen
Average number of outstanding common shares	564,387,998 shares

(Significant subsequent events)

(Acquisition of Share Capital of ExxonMobil Yugen Kaisha)

Based on the resolution at the Board of Directors meeting held on January 29, 2012, the Company entered into an agreement with ExxonMobil Asia International Limited Liability Company SARL, a company indirectly and wholly owned by Exxon Mobil Corporation, to acquire 99.0% shares of ExxonMobil Yugen Kaisha.

Prior to the Acquisition, the following businesses and assets of ExxonMobil Yugen Kaisha will be transferred to other affiliates of Exxon Mobil Corporation ("EM Group Companies"). The Company will not acquire nor will ExxonMobil Yugen Kaisha own the following businesses and assets after the Transaction.

i. 80 million common shares of the Company
ii. Part of the Chemicals business (butyl, specialty elastomer, synthetics, polyolefin sales, and catalyst licensing)
iii. Shares of Japan Butyl Co. Ltd., operating butyl rubber business in Japan (50% of the total shares)
iv. Shares of Mobil Korea Lube Oil Inc., operating a lubricants business in Korea (50% of the total shares)

In addition to the transfer of the Company's shares mentioned in i. above, ExxonMobil Yugen Kaisha will sell approximately three million of the Company shares it currently owns to third parties outside of the EM Group Companies before the Transaction. As a result, the number of shares ExxonMobil Yugen Kaisha holds at the time of the Transaction is expected to be approximately 200 million shares.
Since the 200 million shares held by ExxonMobil Yugen Kaisha after the Acquisition will lose their voting rights, the total number of the Company's voting shares will be approximately 360 million shares. As a result, Exxon Mobil Corporation will own approximately 22% of voting shares in the Company after the Acquisition.

The overview of the acquired company is as follows:

1. Overview of the acquired company

(As of December 31, 2011)

(1) Company name	ExxonMobil Yugen Kaisha
(2) Business	Sales of petroleum products and petrochemical products
(3) Date of incorporation	December 11, 1961
(4) Paid-in capital	50,000 million yen

2. Background and objectives of the transaction

   Through this newly-formed integrated production-distribution operation, the Company will be able to more effectively execute locally driven investments and other business decisions that will help the Company adapt to the challenging domestic operating environment. Moreover, the Company will be able to further enhance its efficiency and profitability by increasing the level of integration between the marketing and production business divisions, and pursuing business opportunities that will enable it to respond to the changing market demands and domestic operating environment.

3. Closing of the Transaction

   June 1, 2012 (Plan)

4. Legal form of the business combination

   Acquisition of share capital

5. Name of the acquired company after the Transaction

   To be determined

6. Shareholding acquired through the transaction, the purchase price, and percentage of shareholding after the transaction

(1) Acquired shareholding	99.0%
(2) Purchase price	302.0 billion yen (Note)
(3) Percentage of shareholding after the transaction	99.0%

ExxonMobil Yugen Kaisha, which will become a consolidated subsidiary of the Company after the Acquisition, is expected to transform to a *godo kaisha* structure prior to the Acquisition. As such, the percentage of shareholding acquired through the Acquisition and the changes in percentage of shareholding before and after the Acquisition as shown above refer to those values after ExxonMobil Yugen Kaisha has become a *godo kaisha*. The Company will be entitled to 99.0% of the profits of the godo kaisha as will be established in the Articles of the godo kaisha entity.

(Note) Adjustments will be made to add to the Purchase Price the cash proceeds of certain transactions between ExxonMobil Yugen Kaisha and affiliates of Exxon Mobil Corporation expected to be completed prior to June 1, 2012.

7. Background of decision for acquiring company
   As described in “2. Background and objectives of the transaction”.

(Redemption associated with the restructuring of the battery separator film (BSF) joint venture)

The Company restructured its BSF joint venture with Toray Industries Inc. on January 31, 2012, because the Company recognizes that the growth of the BSF business is best ensured with streamlined business decision-making processes via a single owner processing a broad portfolio of films and other products. Toray Tonen Specialty Separator G.K. (TTGK), the joint venture company, redeemed all units owned by the Company’s consolidated subsidiaries Tonen Chemical Corporation (TCC) and Tonen Chemical Nasu Corporation (TCN) to achieve the restructuring. The business will continue under the 100% ownership of Toray Industries Inc. and the Company has no further ownership or involvement in the BSF business.

The details of this transaction are as follows:

1. Reason for the redemption
   Due to dissolution of the joint venture as described above.

2. Date of the redemption
   January 31, 2012

3. Overview of the joint venture company

(As of December 31, 2011)

(1) Company name	Toray Tonen Specialty Separator G.K.
(2) Business	Manufacturing and sales of the synthetic resin films

4. Redeemed shareholding, the redemption amount, gain from the redemption and percentage of shareholding after the redemption

(1) Redeemed shareholding	50.0%
(2) Redemption amount	53.6 billion yen
(3) Gain associated with the redemption	Approx. 16.4 billion yen (Extraordinary income)
(4) Percentage of shareholding after the redemption	0.0%

As a result of redemption, TTGK, Toray Tonen Specialty Separator Korea, Inc., and Toray Tonen Services G.K. (both of which are wholly-owned by TTGK), will no longer be accounted for by the equity method from the first quarter 2012 period and onward.

5. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2010)	Current period (December 31, 2011)
Assets		
Current assets		
Cash and deposits	33	16
Accounts receivable-trade	413,157	445,847
Merchandise and finished goods	26,503	58,553
Semi-finished goods	25,364	57,660
Raw materials	67,520	188,853
Supplies	4,004	4,079
Prepaid expenses	3,096	3,054
Income taxes receivable	5,293	–
Deferred tax assets	5,350	–
Short-term loans receivable	68,124	103,475
Short-term loans receivable to subsidiaries and affiliates	22,559	9,509
Accounts receivable-other	4,034	4,358
Other	14	855
Allowance for doubtful accounts	(44)	(41)
Total current assets	645,013	876,222
Noncurrent assets		
Property, plant and equipment		
Buildings	39,033	38,570
Accumulated depreciation	(27,687)	(27,954)
Buildings, net	11,346	10,616
Structures	153,920	154,203
Accumulated depreciation	(125,530)	(128,208)
Structures, net	28,390	25,995
Tanks	64,146	64,295
Accumulated depreciation	(59,510)	(60,049)
Tanks, net	4,636	4,246
Machinery and equipment	528,541	530,282
Accumulated depreciation	(482,479)	(492,890)
Machinery and equipment, net	46,062	37,392
Vehicles	877	877
Accumulated depreciation	(800)	(830)
Vehicles, net	76	46
Tools, furniture and fixtures	9,684	10,625
Accumulated depreciation	(8,348)	(8,698)
Tools, furniture and fixtures, net	1,336	1,926
Land	67,812	67,227
Construction in progress	5,328	4,352
Total property, plant and equipment	164,989	151,803
Intangible assets		
Leasehold right	1,511	1,492
Software	2,272	2,281
Right of using facilities	211	182
Total intangible assets	3,995	3,955

(Unit: Million yen)

	Prior period (December 31, 2010)	Current period (December 31, 2011)
Investments and other assets		
Investment securities	4,223	4,101
Stocks of subsidiaries and affiliates	3,149	1,056
Investments in capital of subsidiaries and affiliates	–	88,500
Long-term deposits	2,910	2,353
Deferred tax assets	9,985	–
Other	5,214	4,778
Allowance for doubtful accounts	(295)	(293)
Total investments and other assets	25,187	100,495
Total noncurrent assets	194,172	256,254
Total assets	839,185	1,132,477
Liabilities		
Current liabilities		
Accounts payable-trade	282,555	306,228
Gasoline taxes payable	185,170	180,890
Short-term loans payable	45,783	59,133
Current portion of long-term loans payable	1,754	1,754
Short-term loans payable to subsidiaries and affiliates	1,846	832
Accounts payable-other	9,343	10,064
Accrued expenses	10,914	11,962
Income taxes payable	–	20,850
Accrued consumption taxes	13,706	8,542
Deferred tax liabilities	–	8,471
Advances received	4,691	4,851
Guarantee deposits payable	8,025	7,813
Provision for bonuses	935	914
Provision for offshore well abandonment	824	–
Other	2,547	2,268
Total current liabilities	568,098	624,576
Noncurrent liabilities		
Long-term loans payable	3,985	2,231
Deferred tax liabilities	–	68,139
Provision for retirement benefits	36,050	39,794
Provision for directors’ retirement benefits	48	62
Provision for repairs	16,329	16,320
Asset retirement obligation	–	691
Other	515	406
Total noncurrent liabilities	56,928	127,645
Total liabilities	625,027	752,221

(Unit: Million yen)

	Prior period (December 31, 2010)	Current period (December 31, 2011)
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus		
Legal capital surplus	20,741	20,741
Other capital surplus	–	0
Total capital surplus	20,741	20,742
Retained earnings		
Legal retained earnings	8,780	8,780
Other retained earnings		
Reserve for property replacement	14,733	15,297
Retained earnings brought forward	135,420	301,081
Total retained earnings	158,934	325,159
Treasury stock	(647)	(697)
Total shareholders' equity	214,152	380,328
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5	(72)
Total valuation and translation adjustments	5	(72)
Total net assets	214,158	380,255
Total liabilities and net assets	839,185	1,132,477

(2) Non-consolidated statement of income

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Net sales	2,392,460	2,680,197
Cost of sales	2,335,714	2,444,299
Gross profit	56,745	235,898
Selling, general and administrative expenses	25,593	25,946
Operating income	31,151	209,951
Non-operating income		
Interest income	162	178
Dividends income	25,188	1,524
Foreign exchange gains	2,165	1,288
Other	61	79
Total non-operating income	27,578	3,071
Non-operating expenses		
Interest expenses	286	248
Other	35	27
Total non-operating expenses	322	276
Ordinary income	58,407	212,746
Extraordinary income		
Gain on sales of subsidiaries' stocks	–	86,383
Gain on sales of noncurrent assets	1,581	1,958
Reversal of provision for offshore well abandonment	–	654
Total extraordinary income	1,581	88,996
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,390	612
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	545
Impairment loss	839	44
Total extraordinary losses	2,230	1,202
Income before income taxes	57,758	300,541
Income taxes-current	31	20,878
Income taxes-deferred	12,757	91,990
Total income taxes	12,789	112,868
Net income	44,969	187,672

(3) Non-consolidated statement of changes in net assets

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	35,123	35,123
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	35,123	35,123
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	20,741	20,741
Other capital surplus		
Balance at the end of previous period	–	–
Changes of items during the period		
Disposal of treasury stock	–	0
Total changes of items during the period	–	0
Balance at the end of current period	–	0
Total capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Disposal of treasury stock	–	0
Total changes of items during the period	–	0
Balance at the end of current period	20,741	20,742
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	8,780	8,780
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	8,780	8,780
Other retained earnings		
Reserve for property replacement		
Balance at the end of previous period	15,165	14,733
Changes of items during the period		
Provision of reserve for property replacement	–	563
Reversal of reserve for property replacement	(431)	–
Total changes of items during the period	(431)	563
Balance at the end of current period	14,733	15,297
Retained earnings brought forward		
Balance at the end of previous period	111,473	135,420
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	44,969	187,672
Disposal of treasury stock	(2)	–
Provision of reserve for property replacement	–	(563)
Reversal of reserve for property replacement	431	–
Total changes of items during the period	23,946	165,661
Balance at the end of current period	135,420	301,081

(Unit: Million yen)

	Prior period (January 1, 2010 through December 31, 2010)	Current period (January 1, 2011 through December 31, 2011)
Total retained earnings		
Balance at the end of previous period	135,419	158,934
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	44,969	187,672
Disposal of treasury stock	(2)	–
Total changes of items during the period	23,514	166,224
Balance at the end of current period	158,934	325,159
Treasury stock		
Balance at the end of previous period	(539)	(647)
Changes of items during the period		
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	24	9
Total changes of items during the period	(108)	(49)
Balance at the end of current period	(647)	(697)
Total shareholders' equity		
Balance at the end of previous period	190,745	214,152
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	44,969	187,672
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	21	9
Total changes of items during the period	23,406	166,176
Balance at the end of current period	214,152	380,328
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	162	5
Changes of items during the period		
Net changes of items other than shareholders' equity	(156)	(78)
Total changes of items during the period	(156)	(78)
Balance at the end of current period	5	(72)
Total valuation and translation adjustments		
Balance at the end of previous period	162	5
Changes of items during the period		
Net changes of items other than shareholders' equity	(156)	(78)
Total changes of items during the period	(156)	(78)
Balance at the end of current period	5	(72)
Total net assets		
Balance at the end of previous period	190,907	214,158
Changes of items during the period		
Dividends from surplus	(21,451)	(21,447)
Net income	44,969	187,672
Purchase of treasury stock	(132)	(58)
Disposal of treasury stock	21	9
Net changes of items other than shareholders' equity	(156)	(78)
Total changes of items during the period	23,250	166,097
Balance at the end of current period	214,158	380,255

(4) Notes to non-consolidated financial statements

(Non-consolidated statement of income)

- Gain on sales of subsidiaries' stocks

The Company sold 75% of Tonen Chemical Corporation stocks, 100% of TonenGeneral Kaiun Y.K. and Chuo Sekiyu Hanbai K.K. stocks to its subsidiary Tonen Technology G.K. on December 19, 2011. As a result, the Company recognized a gain of 86,383 million yen shown as "gain on sales of subsidiaries' stocks" as reflected in the extraordinary gain section in the current period.

(Significant subsequent events)

(Acquisition of Share Capital of ExxonMobil Yugen Kaisha)

Based on the resolution at the Board of Directors meeting held on January 29, 2012, the Company entered into an agreement with ExxonMobil Asia International Limited Liability Company SARL, a company indirectly and wholly owned by Exxon Mobil Corporation, to acquire 99.0% shares of ExxonMobil Yugen Kaisha.

For further detail, please refer to 4. Consolidated financial statements (10) Notes to consolidated financial statements, (Significant subsequent events).